

Universitas Andalas - Padang

Implementation Report

Dialog Nasional Menyongsong Pelaksanaan Otonomi Daerah (National Dialogue on Regional Autonomy)

Project 497-0357 / 104-000
Strategic Objective 1
ECG, USAID/Indonesia
Contract No. 497-C-00-98-00045-00

Center for Institutional Reform and the Informal Sector (IRIS)
University of Maryland at College Park

September 14 – 15, 2000

USAID-funded Partnership for Economic Growth (PEG Project).
The views expressed in this report are those of the author and not necessarily those of
USAID, the U.S. Government, or the Government of Indonesia.

**DIALOG NASIONAL
MENYONGSONG PELAKSANAAN OTONOMI DAERAH**
Padang, 14-15 September 2000



IMPLEMENTATION REPORT

**NATIONAL DIALOG
ON THE IMPLEMENTATION OF DECENTRALIZATION LAWS
PADANG, 14-15 SEPTEMBER 2000
(Based on law 22/1999 and 25/1999)**

1. Background

National Dialog on the implementation of Indonesian Decentralization Laws was ascribed from two workshops or discussions conducted by IRIS and LPEM-FEUI together with 27 Universities/Institutions from different provinces in Indonesia. The first and second workshops had been carried out in Jakarta on March 5-14 and June 5-10, 2000 respectively. The main objective of the workshops were to increase knowledge and experiences of participants on the rules and implementations of decentralization in different developing and developed countries and the process of decentralization implementation rules in Indonesia.

Based on these experiences, any participant was given an opportunity to run a national dialog at their province. About 20 provinces had been decided by IRIS-LPEM to be the locations or venues of the dialogue in Indonesia. The dialog started from Medan, Sumatera Utara and will be ended in Denpasar, Bali on the middle of November 2000. National Dialogue in Padang, West-Sumatra was conducted on September 14-15, 2000. It was the first dialog after yearly National Assembly Meeting in Parliament House done in August 2000 and the tenth dialog from all National Dialogs.

The following is a short implementation report of national dialog conducted in Padang, West-Sumatra, and fully financed by IRIS-LPEM.

2. Objectives

The main objective of dialogue as follows:

- To increase knowledge of the participants on the decentralization process.
- To identify implementation issues which are important locally.
- To produce recommendation based on regional issues found from the dialogue.

3. Methodology

a. Participants

The committee sent out invitations to 200 participants from local academic, regional DPR, local political party leader, local government official, business leaders, trade and associations, military/ policemen, teachers, local community leaders, teacher and media. However, as shown in Tabel 1 more than 200 participants attended in the first day. This indicates that participants give a special attentions to this dialog.

Number of participants declined rapidly in the second day of dialogue, but all Institution / Organization had representative except religion leaders.

In terms of gender, there were 35 female participants in the first day of dialogue. Number of female participants in the second day was 21 or about 16.4 percent of total participants in the same day. It seems to be not so bad

Table 1. Number of Participants of National Dialog by Institution on September 14-15, 2000 in Padang

Institution	Invited	Attendances	
		First Day	Second Day
• Local academic	26	39	27
• LPEM	1	1	1
• MoH & RA	4	2	2
• DPR RI	2	1	-
• Regional DPR			
♦ Province	8	4	2
♦ Kabupaten/Kota	28	26	18
• Local political parties	14	8	5
• Governor	10	17	7
• Local government official	60	49	38
• Religion leader	5	1	-
• Trade unions and ass	5	2	2
• Military	6	4	2
• Teachers	10	8	6
• Local NGOs	8	19	11
• Journalist	10	8	4
• Others	10	38 ^{1/}	3 ^{2/}
Totals	200	227	128

Note: 1/. Consist of (a) 35 from KKD participants, (b) one from Indonesia Forum and (c) one from IRIS.

b. Agenda

There were eight sessions all together. There were four sessions in the first and the second day of dialog. All sessions were divided into pleno and group discussions. The participants were divided by three groups. Each group discussed different topics based on IRIS guidances. Table 2 shows dialog agenda.

Table 2. The National Dialog Agenda in Padang

Day 1 (September 14)	Activity
09.00-10.00	Opening Ceremony Dialog was opened by the Governor of West-Sumatra. Rector of Universitas Andalas and Dean of the Faculty of Economics also give a speech.
10.15 - 10.30	Coffee Break
10.30 - 12.30	Session 1 (pleno) Topics : The Essence, Process and Decentralization Practices in Different countries

Continued ...

	Activity
	Speakers : (1) Prof. Dr. M. Sadli (2) Imam Rozani, SE. M.Soc. Sc. (3) Ediharsi, SE. M.Soc. Sc. Moderator : Prof. Dr. Syafrizal
12.30-13.00	Session 2 (pleno) Topics : Implementation Progress of Fiscal Decentralization in Indonesia Speakers : Drs. Rahman Maklin, MBA Panelist : Taufiqurrahman Saleh, SH. MSi. Moderator : Prof. H. Syahrudin, SE. MA.
13.00 - 14.00	Prayer and Lunch
14.00 - 15.30	Session 3 (pleno) Topics : Local Perspective on Decentralization Speakers : 1. Drs. H. Rusdi Lubis 2. Prof. H. Syahrudin, SE. MA. Panelists : 1. Drs. Rahman Maklin 2. Iman Rozani, SE. M.Soc. Sc. Moderator : Drs. Azhar Noor
15.30 -16.00	Cooffee Break
16.00 -17.15	Session 4 (Group Discussions) Group A: discussed issues on finance questions Facilitators : 1. Prof. DR M. Sadli 2. Werry Darta Taifur SE.MA. Group B : Discussed issues on function questions Facilitator : Ediharsi, SE. M.Soc. Sc. Group C : Discussed overview question Facilitator : Prof Syahrudin
Day 2 (September, 15)	
08.30 - 10.00	Session 5 (Group Discussion)
10.00 - 10.30	Cooffee Break
10.30 - 11.45	Session 6 (Group Discussion)
11.45 – 14.00	Friday Prayer and Lunch
14.00-15.30 :	Session 7 (pleno) Presentation of each group, reported by the chairman of the group Moderator : Dr James Hellyward, MS Panelist : 1. Drs. Sultani Wirman 2. Nuryufa Dt Bijo Anso
15.45-16.45 :	Session 8 (pleno- Continue).
16.45-17.15:	- Presentation of recommendation, - Closing by the Chairman of Committee
	- Cooffee Break

4. Benefit of Dialogue

Sharing knowledges and experiences among different institution participating in two days dialogue was the most important benefit. We do expect that the participants who were from different institution got more knowledges on decentralization rules and decentralization process in developed and developing countries. Another knowledges that the participants got from dialogue was detail available rules of decentralization implementation in Indonesia.

There are some rules of decentralization implementation should produced by the Central Government. Distribution of function whether for Province or for Kabupaten/Kota is not clear yet. PP 25/2000 mention only the function of the Central Government and the function of Province as Autonomy Region. The Province does not know yet her decosentration function which is very important to determine regional institution (dinas) properly.

The participants belief that decentralization is a comprehensive system of government administration. A detail and simple regulations are needed to empower administration system for different level of Government Organization. The Central Government has the function to create such regulation based on PP 25/2000. There are 21 functions of Central Government in developing Regional Autonomy and 2 functions in financial balances between Central and Autonomy Region. The problem is the time needed to complete these functions. Is there any possibility of Central Government to complete these job up to the end of 2000? Should regional government produces Regional Rule of Decentralization (Peraturan Daerah) if Central Government will not able to complete all of these functions.

It seems to us that most of the participants do not know the essence of decentralization. Most of the participants concluded that decentralization is fiscal dispensation. Regional government free to spend their revenues based on official desire. They do not know relation between fiscal policy and economic stability. They do not know the relationships between distribution of functions and fiscal decentralization when the committee introduced such issues in the dialogue.

The problems of decentralization in Indonesia compared to developing or developed countries explained by the panelists in the dialogue. Among them are (1) the different level of autonomy. Most of countries in the world introduced autonomy at Province level, but in Indonesia is at Kabupaten/Kota. The question is whether Central Government able to control all District Autonomy (about 350 district) or not in the future time. It will be a big job of Central Government in implementation of decentralization rule. (2) Own revenues of Kabupaten/Kota is very small compare to total expenditure (APBD). It was showed by panelist that the proportion of own revenue to total expenditures were 9.1 percent in 1995/1996 and 8.6 percent in 1998/1999. These figures were very low for Kabupaten compare to Kota. Therefore, all Kabupaten in West Sumatera were lightly depend on transfers from Central Government. (3) The effect of transfers on tax-effort and equity were unexpected. The higher the transfers to a Kabupaten or Kota the lower tax effort and the higher disparities between districts in West Sumatera.

Officials at Province and at Kabupaten/Kota are confusing to implement the rule of decentralization for their region or districts. The reasons are *first*, there is an inconsistent guidences given by Central Government, *second*, all regulation or guidences needed by province or districts to deregulate organization structures of the

regions do not complete yet, except for fiscal decentralization and *third*, low quality of human resources especially at districts level mainly in determining the functions of district autonomy based on district needs.

The problem of deregulation of government organization structure is main constraint to redistribute personal mainly after liquidating 6 line departments last month. About 3,192 personals of these departments in West Sumatera does not know yet their jobs. Solving of the problems are needed very badly in the short time. Whether they will be assigned at Province or at Kabupaten/Kota is still a question. But, Kabupaten/Kota needs more personal to implement new regulation on decentralization.

Sharing knowledge and experiences on decentralization among different group of the people in West Sumatera had been done through two days dialogue, but how much is the benefit is a question. An interesting to note is that the official from the Governor Office has a desire to continue such a meeting (informal meeting) regularly. The desire was mentioned explicitly by Drs. Rusdi Lubis, Governor representative in dialogue

5. Issues

a. Objective of Autonomy

Empowerment of public is main objective of the rule of autonomy in Indonesia based on UU 22/1999 and 25/1999. The public is said to be empowered if public participation in process of development is high. There is a positive relation between public participation in development and empowerment of the public. And empowerment of the public has a positive effect on public competitiveness and efficiency.

In order to meet the objective of autonomy, the region (Kabupaten/Kota) should responsible to the people. It is indicated by the decision made by the official in public policy mainly in preparing public utilities. Therefore, the role of local DPR is very important. Local DPR has to be able to absorb public aspiration and transfers them to the Official. It is the other word of democracy which the role of the people is very strong in making decision in public policy.

b. Issues

* National

- No consensus or agreement yet among different decision maker at national level in terms of decentralization implementation.

* Local

- Should Province or Kabupaten/Kota establish local regulation to implement decentralization rules before all national guidance approved.
- Whether certain criterians should be applied to a region before allowing to be an Autonomy Region.

- Should decentralization rules implement to all Kabupaten/Kota at same time or there is a possibility of implementation at different time with different Kabupaten/Kota. What is the criteria to do that?
- What is the role of local DPR in process of decentralization? Should be used the role of local DPR to measure the ability of Kabupaten/Kota to be Autonomy Region?
- There is no agreement between the official and public in terms of what, how and for whom accountability and transparency should be done. Whether annual report of Bupati/Walikota should be address to the public or just to local DPR? Contents of report also produce controversy between public and the official.
- Whether redistribution of personal will be done after organizational restructure or before restructure is an issue in personal transfer.
- It seem that Government Official does not concern about public whose pay their salaries.

c. Recommendations

* National

- Central Government has to complete all guidances needed to implement decentralization rules soon.
- All guidances should be based on national agreement or consensus.

* Local

- Implementation of decentralization rules is suggested to be selective. Priority is given to a prepared Kabupaten/Kota.
- The ability to increase empowerment of the people in development process has to be used to measured preparation of Kabupaten/Kota to be an Autonomy Region. Empowerment of the people is not determined bay official, but also affected by local DPR. The role of local DPR is also very important.
- The role of local DPR is very strong in decentralization rules and it will create negative impact on the objective of decentralization. The issues are: who and how to control local DPR. It is necessary to create a system to control local DPR. There is a possibility to select members of local DPR if they fail to work as it is expected.
- Ratio of PAD (Own Revenue) to Total Expenditure (APBD) is not suggested to measure the ability of a district to be an Autonomy Region. But the role of transfers (DAU) to reduce inequality and increase tax effort of a Kabupaten/Kota should be used to measure empowerment of the people.
- The role of transparency and accountability are very important in implementation of decentralization rules, but the essence of them are still not clear yet by all relevant institution. It is suggested to produce a simple regulation to do that and such regulation have to obey whether by the official or bay the public. The rule of law should be done honestly without exception.

- It is necessary for a very small and low ability of a district to be liquidated. It is indicated by a small own revenue and tax effort increases very slow compare to regional income.
- Redistribution of personal is suggested after restructure of government organization is done. It is not necessary to complete organizational restructure in the first time of decentralization, but restructure might be done step by step depends on situation and condition of Kabupaten/Kota.
- Sustainable socialization of decentralization rules has to do if we expect the positive impact of decentralization, mainly socialization of fiscal decentralization. Most of participants of the dialogue are not concern with the relation between fiscal policy and macroeconomics stabilization, mainly at Kabupaten region. It is suggested to create a small group of experts to work with socialization of decentralization continuously.

c. Training Needs

- Project evaluation and planning
- Macroeconomic planning
- Own Revenue Administration
- Regional Expenditure Analysis